

**REED HUNDT, CHAIRMAN
FEDERAL COMMUNICATIONS COMMISSION**

As Chairman of the Federal Communications Commission, Reed Hundt is guided by two principles: first, that the FCC should make decisions based on the public interest and second, that the FCC should write fair rules of competition for the communications sector. In his two-plus years as Chairman, he has been recognized for his leadership on issues ranging from spectrum auctions to children's education and programming to access for people with disabilities,

Hundt received the "Distinguished Service Award" from the National Association of Elementary School Principals and the National Association of Secondary School Principals "for his ongoing commitment to education -- both through connecting schools to the information superhighway and improving children's television;" the "Public Service Award to Children" from Parents' Choice for being "A staunch advocate for children...[with] the foresight to work towards access for all children to educational television, computer skills, and 21st century technology"; and the "Helen Keller Outstanding Public Service Award" from the American Foundation for the Blind "for his exemplary efforts to include all Americans, especially those who are blind or visually impaired, in the communications revolution and for creating the FCC's Disabilities Issues Task Force," which he also chairs.

Under Chairman Hundt, the FCC conducted the first spectrum auction in U.S. history and, in its first two years of auction authority, the agency has raised almost \$20 billion for the national treasury. This amount is more than 60 times the combined Congressional appropriations for the FCC for its entire 61 years of existence. Hundt has also expressed a commitment to flexible rules for the use of spectrum.

Chairman Hundt advocates articulating clear, specific, concrete rules for the communications sector, and has actively promoted competition within and among all five lanes of the information superhighway that the FCC regulates: broadcast, cable, satellite, wire, telephony, and wireless communications. Under Chairman Hundt, the FCC has promoted greater choice for consumers, increased opportunity for all businesses, and fair rules of competition. With passage of the Telecommunications Act of 1996, the FCC will be responsible for implementing its numerous and complicated provisions.

Chairman Hundt is strongly committed to pursuing the vision of the President and Vice President to network every classroom and library in the United States to the information superhighway by the year 2000. He has established an Education Task Force to coordinate the FCC's role in implementing the education provisions of the Telecommunications Act.

Chairman Hundt is the first Chairman to bring FCC operations into the communications age. He is the first Chairman to make himself accessible to a wide audience by participating in open, online conversations with the public and is the first FCC Chairman to have a personal computer on his desk and to be connected to an electronic network.

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Under Chairman Hundt's leadership, the Commission established an FCC presence on the Internet, allowing the public to access information about the Commission and to ask questions via this network. Chairman Hundt also initiated a pilot project to test whether electronic mailboxes would provide better service to the public, allowing the public to submit comments and views on specific issues or proceedings. The Internet site, along with the new fax-on-demand system, have made it easier for the public to get copies of FCC proposals, decisions, meeting notices, speeches, daily releases, FCC phone contacts and other information.

Chairman Hundt directed a reorganization of the FCC that grouped similar parts of the agency together in International and Wireless Telecommunications Bureaus (replacing the International Office and the Private Radio Bureau). The reorganization of the Compliance and Information Bureau will take advantage of advances in technology to better utilize scarce resources outside of FCC headquarters and will also use a new toll free call center to allow the public to get faster, easier answers to questions about FCC rules and issues and to FCC information.

Before becoming Chairman of the FCC, Mr. Hundt was a partner in the Washington office of **Latham & Watkins**, a national and international **law firm**. His work included legal and regulatory issues in emerging technologies, such as cellular telephones, direct broadcast satellite, and interactive television.

In his private legal career he also handled pro bono matters for the U.S. Court of Appeals, the NAACP Legal Defense Fund, the Lawyers Committee for Civil Rights, Conservation International, and the D.C. Preservation League.

Chairman Hundt is a graduate of Yale College (1969) and Yale Law School (1974), where he was a member of the board of the Yale Law Journal. He clerked for the late Chief Judge Harrison L. Winter of the United States Court of Appeals for the Fourth Circuit, and is a member of the District of Columbia, Maryland, and California bars.

Chairman Hundt was **born** in Michigan and lives in Chevy Chase, Maryland with his wife and their three children, Adam, Nathaniel, and Sara.

Reed Hundt was named Chairman of the FCC by President Clinton and was sworn in by Vice President Gore on November 29, 1993. His term as FCC Chairman will expire June 30, 1998.

Statement of Reed Hundt
Chairman
Federal Communications Commission
on
WTO Telecom Agreement: Results and Next Steps

Before the

Subcommittee on Telecommunications, Trade, and Consumer Protection
Committee on Commerce

U.S. House of Representatives

March 19, 1997

Thank you for inviting me to testify before the subcommittee about an agreement that I believe will fundamentally alter the competitive landscape in telecommunications in the United States and around the world. This agreement substantially achieves the objectives that are at the heart of the Telecommunications Act of 1996. In addition, it meets the goals that my colleagues and I announced in 1995: promoting global competition; preventing anticompetitive conduct; and opening markets around the world.

As Ambassador Barshefsky has stated in her testimony, this agreement will open opportunities for fair competition around the world. I can promise you that the FCC will do everything in its power to ensure that this deal will also enhance fair and effective competition in the U.S. market.

Of course, members of this committee are well aware of the dramatic changes in the U.S. telecommunications market that were set in motion just over a year ago when you passed, and President Clinton signed, the **Telecommunications** Act of 1996. Since that time, the FCC has been hard at work writing the rules that will make your blueprint for vigorous competition in telecommunications a reality. I am proud of the work that my colleagues and I and the very dedicated staff of the Commission have done over the past thirteen months.

I am also very proud that, under the able leadership of Ambassador Charlene Barshefsky, the United States has pioneered a new export industry -- what might be called the "competition in telecommunications" industry. For the deal that Ambassador Barshefsky

negotiated on behalf of the American people accomplishes just that -- it exports the American idea of open markets and fair rules of competition to 68 of our nation's largest trading partners, who together account for more than 95 percent of global telecom revenues. I am pleased that the FCC was able to play an advisory role to the U.S. Trade Representative in making this agreement possible.

At the same time, I cannot overstate the importance of the advice and guidance that we have received from members of both houses of Congress on both sides of the aisle. In particular, I believe that the adoption of the Telecommunications Act was a critical element in demonstrating to the world that the United States is firmly committed to free and fair competition in telecommunications.

And lastly, the advice and support of U.S. industry was indispensable to the achievement of this agreement. Our telecommunications companies have been unanimously and publicly enthusiastic in their comments about this agreement for one simple reason -- it achieves the common purpose of U.S. industry and the U.S. Government: to open the global telecommunications market to free and fair competition. In this regard, I would like to recognize the efforts of **all** elements of the U.S. telecommunications industry and the wider U.S. business community in insisting that foreign governments agree not only to open their markets but to guarantee fair rules of competition.

With your indulgence, I would like to discuss three main issues: First, how does this agreement relate to the Commission's long-standing goals for the telecommunications industry? Second, how will we ensure that competition flourishes in this new environment? And, finally, how can we continue to carry forward the work that was so promisingly begun -- not concluded -- in Geneva on February 15?

The Commission's Goals

In November 1995, my colleagues and I unanimously adopted our Foreign Carrier Entry Order. This order establishes our policies and rules for granting applications for entry into the U.S. market for foreign-affiliated carriers to provide international telecommunications services and common carrier radio-based services. This order explicitly does not apply to broadcasting services, just as the recently concluded GBT agreement does not apply to broadcasting.

In the Foreign Carrier Entry Order, we stated that the policies we were adopting were intended to serve three goals:

to promote effective competition in the global market for communications services;

to prevent anticompetitive conduct in the provision of international services or facilities; and

to encourage foreign governments to open their communications markets.

Under the rules we adopted in that order, we decide whether to grant a particular application by considering a variety of important public interest factors. These include not only the effect of the proposed service on competition in our market, but also factors that are uniquely within the competence of other agencies of the U.S. Government to evaluate -- for example, questions of national security, foreign policy, law enforcement and trade policy.

In short, our goal has always been to ensure that foreign carrier entry into *our* market will serve the U.S. public interest.

Now, how does the WTO agreement affect the three goals we established in the Foreign Carrier Entry Order?

Promoting Global Competition

The agreement certainly promotes global competition. By this agreement, 69 countries have committed to allow competition in telecommunications. This will create great opportunities for U.S. companies and workers -- the most competitive in the world.

We should also anticipate additional competition in our own market as a result of this agreement. We can expect the openness of this market to attract entrepreneurs and investors

from around the globe with all the benefits that competition brings -- including innovation and rapid cost reductions.

Preventing Anticompetitive Conduct

We have no reason to fear this new competition, as long as we have the right rules in place to ensure that competition is fair. This agreement, together with initiatives now underway at the FCC, will ensure that we have the right rules in place.

First, I believe a signal triumph of the WTO agreement is that 65 countries have agreed to adopt procompetitive regulatory principles. These principles, including a commitment to ensuring reasonable terms for interconnection of competing networks, are fully consistent with the procompetitive spirit of the Telecommunications Act. In addition, by agreeing to live by these principles, 65 countries have committed themselves to the very rules that the FCC said were essential to creating effective competitive opportunities. By this deal, then, we have exported the basic rules for competition in telecommunications.

But I can assure you that we will not be satisfied with this accomplishment. The FCC remains committed to adopting and enforcing rules in this country that will prevent foreign carriers from abusing their market power to gain an unfair advantage in the United States. One example of this is our proposal to adopt revised benchmark settlement rates for international telecommunications, which I will discuss further in a moment.

Opening Foreign Markets

Our third objective was to encourage foreign governments to open their markets to competition, I believe this agreement greatly advances this goal as well. Indeed, the scope of the market opening this agreement achieves is remarkable. As I mentioned at the outset, 69 countries, including the United States, have committed to opening their basic telecommunications markets to competition. Just a few short years ago, this would have been unimaginable. What made this agreement possible, I submit, is the power of ideas and the demonstrated success of competition in the United States and a handful of other countries. Governments around the world have realized that it is in their own self-interest to open their markets to competition. This change of attitude is truly profound -- in 1993, 57 countries agreed to open their markets to competition in value added services, but virtually no government other than the United States was willing to open its market for basic telecommunications. Today, in contrast, we have done such a good job exporting the idea of competition in telecommunications that 69 countries are committing themselves to permitting competition in the much **more** tightly controlled area of basic telecommunications.

In sum, I think this agreement substantially advances all three of the goals that the Commission articulated in the Foreign Carrier Entry Order.

Ensuring *Fair* Competition in our International Telecommunications Market

I expect the Commission to take action in three proceedings that are crucial to serving these twin purposes.

First, we must review our rules and policies concerning foreign carrier entry into the U.S. market. As I have already mentioned, my colleagues and I unanimously adopted rules 16 months ago that govern foreign carrier entry for provision of international services and for licenses for common carrier radio services. These rules include the ECO test that I mentioned earlier. In addition, last May we adopted a Notice of Proposed Rulemaking that proposed to adopt a similar standard for entry into the U.S. market of foreign-licensed satellite systems. This is our proposed “ECO-Sat” test that we proposed in our DISCO II rulemaking.

I believe that we need to review both our existing ECO test and our proposed ECO-Sat test. Because of the agreement concluded in Geneva on February 15, the global telecommunications market has changed profoundly and will continue to change over the coming years.

The timing of our actions is relatively straightforward. I anticipate that we will take action within the next two or three months to initiate reviews of our policies and rules in both areas. We hope to complete these proceedings this year.

I certainly cannot prejudge the final content of these rules, and I cannot, of course, bind my colleagues who must independently judge what they believe is in the public interest.

Nevertheless, I believe we must consider how our market entry policies should be modified to take advantage of the benefits of competition that will be unleashed by the WTO agreement. I suspect that some revision of our rules will be in order -- after all, when we adopted the ECO test, only a handful of countries had embraced competition and had agreed to allow U.S. carriers to enter their markets. The dramatic increase in the number of countries that will allow U.S. companies to compete, I believe, means that it is time to revisit these rules.

At the same time, however, I continue to believe that we can and must maintain rules to safeguard important public interest factors such as fair competition and national security, to name but two. Balancing a preference for competitive entry with the need to prevent competitive distortions will be the primary challenge in both of these **rulemakings** -- the review of the ECO test and the review of the ECO-Sat test.

As we consider the appropriate standards for foreign carrier entry, we will also be completing our proceeding to revise the Commission's benchmarks for international settlement rates. I believe that this is essential to ensuring that foreign carrier entry into the U.S. market does not distort competition.

The traditional international settlements regime is a major impediment to competition in international telecommunications. This system amounts to wholesale price fixing and has kept international calling prices artificially high. Both technological trends and increasing competition in the global market are putting serious pressures on this system. Nevertheless, the existing massive U.S. settlement outpayments to the rest of the world become especially troubling when they can be used to fund competitive entry into our market by carriers whose home markets are not similarly open. That is why we have proposed to make compliance with the benchmark settlement rates a condition of entry into the U.S. market for international telecommunications. In the Notice of Proposed Rulemaking in this proceeding the Commission stated that we would make our rules consistent with any WTO obligations the United States undertook. Let me be clear, however: our paramount goal will be to promote competition in the U.S. market by ensuring that settlement rates are reduced sharply and soon.

Carrying Forward the Work **Begun** in Geneva

U.S. implementation of this agreement should be a matter of reorienting our policies to the new competitive environment rather than creating them afresh. Most of the other governments that have made commitments in the WTO will have a great deal of work to do to establish fair rules of competition in advance of the opening of their markets next January. I would note that, thanks to the foresight of Congress, the FCC does not need to take any

further action to make the regulatory principles that 65 nations have endorsed part of U.S. law. Indeed, our rules of competition were the model for the WTO regulatory commitments,

I am committed to continuing to work with Ambassador Barshefsky and her staff to ensure that other governments live up to their commitments -- to allow both market access and effective opportunities to compete. We will continue to provide expert advice to USTR as they prepare to enforce the trade commitments made by our trading partners. I believe that this is absolutely critical to ensuring that the seeds of the competitive global telecommunications market that were planted in Geneva bear fruit. I am confident that both USTR and the FCC can continue to rely on the enthusiastic support of the U.S. telecommunications industry as we embark on the next phase of reshaping the global telecommunications market.

Finally, let me say that I am optimistic that this process will succeed. As we have seen in the United States, competition begets more competition. The Telecommunications Act wiped away artificial barriers to competition between converging sectors of the communications industries. Likewise, I believe that the rapid spread of competition in telecommunications around the world will undermine the remaining pockets of monopoly. For, if the GBT agreement proves anything, it is that competition in telecommunications is sure to be a very popular U.S. export.